

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: June 9, 2011
To: Supervisor Lee Holloway, Chairman, Milwaukee County Board of Supervisors
From: Jerome J. Heer, Director of Audits
Subject: Review of Wauwatosa School District's Reimbursement of Operating Costs Associated with Milwaukee County Department of Health and Human Services (DHHS) Schools for the 2009-10 School Year.

The Wauwatosa School District (School District) has provided teaching services at the DHHS schools pursuant to a written contractual agreement that automatically renewed since its inception fourteen years ago through the 2008-2009 school year. However, Milwaukee County has provided notice to the School District that effective with the 2009-2010 school year, it was cancelling the contract in an effort to negotiate a new agreement that would achieve language changes recommended the Department of Audit in previous years.

As of this point in time, a new contract has not yet been reached. Consequently, the School District and Milwaukee County have been operating under the terms of the previous contract, which includes our review of the School District's cost of providing teaching services and related reimbursements received from the Wisconsin Department of Public Instruction (DPI).

Our review has determined that for the 2009-10 school year, DPI has fully reimbursed the School District for all costs (\$3,177,122) associated with school operations. In addition, the agreement provides that the School District remit to Milwaukee County funds which represent a rental payment for the DHHS school facilities. This rental payment amounts to \$673,725 for the 2008-09 school year.

Historically, DPI reimbursed the School District approximately one year after the end of the school year. However, since the 1994-95 school year DPI has paid the District 75 percent of its claim early, by the fall following the end of the school year. In turn, the District has remitted early payments to the County equal to 75 percent of the rental payment since that time, with the exception of the 1999-00 (no early payment) and 2001-02 (50% early payment) school years. For the school year 2009-10, the County received 75% (\$505,294) of its claim from the District by November 2009. The balance of \$168,431 is to be paid within 45 days of the release of this report.

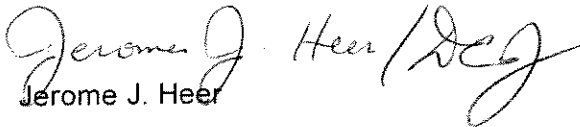
To ensure the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis we have recommended in previous audits that the County negotiate the necessary revisions to the contract with the District. We also recommended the negotiation of contract revisions to relieve the County of any financial responsibility, or ensure it is provided a more equitable sharing of educational expenses of the program, in the event the DPI (State) does not reimburse all program costs (Milwaukee County was under-reimbursed by \$59,065 for the 2000-01 school year). The contract should also be revised to reflect other changes involving the arrangement between the County and the School District occurring since its execution.

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Attached is a copy of our status report, dated December 7, 2009, requested by the Committee in conjunction with its review of our annual report for the prior school year (2007-2008). The Committee voted to receive and place the status report on file at its meeting on January 28, 2010.

To expedite Milwaukee County's receipt of the balance due (\$168,431) from the School District, we have issued this report without responses from DHHS and DTPW management.

Please refer this report to the Finance and Audit Committee.


Jerome J. Heer

JJH/PAG/cah

Attachments

cc: Milwaukee County Board of Supervisors
Chris Abele, Milwaukee County Executive
Dr. Phillip Ertl, Superintendent, Wauwatosa School District
Patrick J. Farley, Director, Department of Administrative Services
CJ Pahl, Interim Fiscal & Budget Administrator, DAS
Timothy Schoewe, Acting Corporation Counsel
Jack Takerian, Director, Department of Transportation and Public Works
Geri Lyday, Interim Director, Department of Health and Human Services
Terrence Cooley, Chief of Staff, County Board
Steve Cady, Fiscal & Budget Manager, County Board Staff
Carol Mueller, Chief Committee Clerk, County Board Staff

Review of Wauwatosa School District's Reimbursement of Operating Costs of Milwaukee County DHHS Schools for the 2009-10 School Year

Background

Milwaukee County has a contractual agreement with the Wauwatosa School District to provide teaching services at the Milwaukee County Department of Health and Human Services (DHHS) schools (Behavioral Health Division and Children's Detention Center). The County agrees to reimburse the School District for any program costs not reimbursed by the Wisconsin Department of Public Instruction (DPI) as they apply to the residents of the DHHS schools. As a provision of this agreement, the Milwaukee County Department of Audit reviews the School District's request for State reimbursement prior to submission of such claims to DPI. Subsequently, the Department of Audit reviews reimbursements received from DPI and reports on the settlement between the School District and Milwaukee County. As an additional part of the contractual agreement, the School District reimburses DHHS and the Department of Transportation and Public Works (DTPW) funds, which represent a rental payment for using school facilities.

Scope

Our review included the following procedures:

- Examined copies of the School District's request for State reimbursement, prior to submission of such claims to DPI, to ascertain that County invoiced rental amounts have been included in the reimbursement claims;
- Verified reimbursement received from DPI to determine the settlement between the School District and Milwaukee County;
- Reviewed the contractual agreement between the County and the School District; and
- Determined the progress made toward implementation of recommendations from prior audit reports.

Settlement for the 2009-2010 School Year

As summarized in **Exhibit I**, the amount due Milwaukee County by the Wauwatosa School District is \$168,431. This amount represents the remaining balance of the outstanding 2009-2010 rental payment for the DHHS school facilities. We recommend that DHHS and DTPW:

1. *Obtain payment due Milwaukee County from the School District within the stipulated 45 days from release of this report and*
2. *Continue negotiation efforts with the School District to achieve a new contract with language changes that assures the County receives its prorated share of any future early reimbursements made to the School District from DPI on a timely basis and is relieved of any financial responsibility or ensure it is provided a more equitable sharing of funding shortfalls if the DPI (State) does not fully reimburse program costs, and to reflect changes involving the arrangement between the County and the School District occurring in the fifteen years since its execution.*

Exhibit I

Review of Wauwatosa School District's
Reimbursement of Operating Costs of DHHS Schools
For the 2009-10 School Year

School Facility Rental Charges		\$ 673,725
Less Net Un-reimbursed Expenditures:		
Costs	\$ 3,177,122	
Less Reimbursed Expenditures	<u>\$3,177,122</u>	
Net Unreimbursed Expenditures		<u>0</u>
Total Amount Due From School District		\$ 673,725
Less Amount Received from School District		\$ <u>(505,294)</u>
Remaining Balance Due from School District		\$ <u>168,431</u>